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Please ask for: Matthew Trebilcock

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Dear Sir/Madam

Re: Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks Thank you for the opportunity to comment on the proposed regulations on governance and reporting of climate risks within the LGPS.

The Gloucestershire Pension Fund supports action to address climate-related risks and welcomes the proposals being brought forward.

Our more detailed and specific comments are outlined below:

Question 1: Do you agree with our proposed requirements in relation to governance?

The Pensions Committee welcomes the responsibility to establish and maintain, on an ongoing basis, oversight of climate related risks and opportunities, and to monitor those who are undertaking climate-related governance activities on behalf of the Fund. We note that this should include maintaining oversight of the activities undertaken by the pool (in our case, the Brunel Pension Partnership) on behalf of the Fund.

The Committee already takes an active role in monitoring how the Fund manages climate-related risks. The carbon footprint (Weighted Average Carbon Intensity) of the Fund's investments is measured and reported to the Committee on an annual basis.

Question 2: Do you agree with our proposed requirements in relation to strategy?

The Investment Strategy and the Funding Strategy Statements are the two most important of the policies that must be maintained by the Fund. The Investment Strategy Statement already includes policies on how we address and manage climate-related risks within the strategy. The 2022 Triennial Valuation also includes actuarial assumptions related to climate risk, and this will be factored into the Funding Strategy Statement.

We therefore support the proposed requirements in relation to strategy.

Question 3: Do you agree with our suggested requirements in relation to scenario analysis?

We agree that as investment and funding decisions are made triennially in accordance with the valuation cycle, scenario analysis should feed into these decisions, and should therefore be incorporated into the valuation cycle and carried out at least every three years, as a minimum.

We therefore support the proposals relating to scenario analysis. However, we would note, in relation to the proposal to carry out a scenario analysis in 2023/24, that this would fall mid-way between our statutory triennial valuations and it would be pragmatic to align the proposal to our triennial valuation schedule, next valuation date being April 2025.

Question 4: Do you agree with our proposed requirements in relation to risk management?

The Fund has in place a risk management strategy and climate risk is already included within the Funds detailed risk register. The detailed risk register is monitored quarterly by the Pensions Committee and also the Local Pensions Board.

We therefore support the proposed requirements in relation to risk management.

Question 5: Do you agree with our proposed requirements in relation to metrics?

Metrics are important to ensure that climate-related risk is managed effectively. The Fund therefore supports the requirement for metrics to be published.

In relation to the specific metrics proposed, we believe that Weighted Average Carbon Intensity (WACI) is the most effective measure of the Fund's carbon footprint. We would support a requirement that WACI be specified as a required metric and should be used as a measure of the carbon footprint of Fund investments.

Question 6: Do you agree with our proposed requirements in relation to targets?

The Fund supports the requirement to set targets. The Fund has committed to achieve net zero by 2050 or sooner, which is aligned with our pool company (Brunel).

Targets are essential to ensure that progress is being made in managing the impact of climate change and managing the Fund's risk exposure. Therefore, we support the requirement to set targets.

Question 7: Do you agree with our approach to reporting?

The Fund supports the proposed reporting, but we think it is important to ensure that the report is understandable by fund members and not too technical in its nature. We believe there needs to be a balance and would support there being a degree of flexibility around achieving this.

Question 8: Do you agree with our proposals on the Scheme Climate Risk Report?

We support the provision of aggregated scheme data. In line with our response to question 5, we would support the use of WACI as a key measure of carbon footprint. This should be easy to aggregate on a scheme basis using a weighted average of each individual Fund's WACI based on the value of their assets covered.

However, in compiling a scheme report, DLUHC will need to ensure that the definitions and methodologies used are consistent. In addition, changes in strategic asset allocation may give rise to confusing messages, where apparent shifts in carbon footprint or Paris alignment data are the result of different reporting methodologies rather than a real improvement or decline.

Question 9: Do you have any comments on the role of the LGPS asset pools in delivering the requirements?

Our pool company (Brunel) will be a key partner in delivering on the provision of the required metrics. The data that we have published previously has been provided by Brunel, and they also provided a service in providing metrics on non-pooled listed equity assets, up to the point when our listed assets were fully transitioned.

We believe it is up to each individual fund to set its own strategy and processed for the management and monitoring of climate related risks, and for the pool companies to deliver their clients' strategies. This will clearly require a high level of partnership and co-operation, and we believe that Brunel's policies and aspirations in this area are fully aligned with those of the Gloucestershire Fund.

Question 10: Do you agree with our proposed approach to guidance?

We agree that a template would be useful, and that common metrics are required, but we would suggest that some degree of flexibility is required for individual Funds to report on their activities in a way that is meaningful for their fund members and key stakeholders.

Question 11: Do you agree with our proposed approach to knowledge, skills and advice?

We agree that Pension Committees need to have appropriate knowledge and skills in relation to climate change and climate risk. This would be best addressed alongside the general requirements for knowledge and skills covering all the aspects of the management of the Fund.

There is already considerable expertise and knowledge in relation to climate risk across administering authorities, pool companies and appointed advisors, and we would expect this to be utilised by Committees in setting and reviewing strategy. The regulatory requirements that already exist require administering authorities to take proper advice. Where required, either the pool company or the administering authority can seek external advice and is likely to need external support in the provision of the required metrics and scenario analysis proposed. We would urge that regulations should not be too prescriptive on how administering authorities ensure that proper advice is provided.

Question 12: Do you have any comments on the impact of our proposals on protected groups and on how any negative impacts may be mitigated?

The Fund supports the principle that reports should be provided in accessible formats.

Yours faithfully,



Cllr Lynden Stowe
Chair of Gloucestershire Pension Fund Pensions Committee